



DEFENSE LOGISTICS AGENCY
DEFENSE CONTRACT MANAGEMENT COMMAND
8725 JOHN J. KINGMAN ROAD, SUITE 2533
FT. BELVOIR, VIRGINIA 22060-6221



IN REPLY
REFER TO

AQOD

JUL 1 1996

MEMORANDUM FOR COMMANDERS, DEFENSE CONTRACT MANAGEMENT
COMMAND CONTRACT ADMINISTRATION OFFICES

SUBJECT: Lessons Learned Highlights

Our memorandum of March 8, 1996, requested each Contract Administration Office to submit a weekly *Lessons Learned Highlight*. The reporting period, which was subsequently changed to monthly, will now be quarterly.

The highlights assist us in sharing DCMC'S expertise with buying activities and program managers during acquisition strategy planning meetings. Conveying to responsible officials the smart way to structure proposals/contracts will minimize post award contract administration and performance problems. However, the majority of the "lessons learned" submitted were tactical in nature. We now need to identify instances that are more representative of a higher, strategic level (see example at Attachment 1).

I need your help in identifying significant, meaningful "lessons learned" for assessing major acquisition strategies. While we need to continue to obtain specific examples of things that have gone wrong in the past and how we can avoid similar problems in the future, we should ask ourselves some very important questions. For example, when spending billions of dollars of taxpayers' money on a major procurement, what can be done to assure the Government gets the best product for its money? When does it truly make sense to go commercial - and when does it not? What is right and what is wrong about the way we conduct business? What can we do better? How can we play a significant role in reducing the Defense budget, while still maintaining a defensive capability second to none?

Please send your first strategic *Highlight* to Mr. Don Reiter, Contractor Capability & Proposal Analysis Team (AQOD), by July 15, 1996. Future submissions



are due the first day of each quarter. Mr. Reiter can be reached at 703-767-3407/ DSN 427-3407; his fax number is 703-767 -2379/DSN 427-2379 and his E-mail address is: donald_reiter@hq.dla.mil.

A handwritten signature in black ink, appearing to read "Robert W. Drewes", with a long horizontal flourish extending to the right.

ROBERT W. DREWES
Major General, USAF
Commander

Attachment

LESSONS LEARNED HIGHLIGHT

Category: Contract Structure

Program: Airborne Laser

Lesson Learned: In evaluating proposed Cost Plus Award Fee contracts, particular attention should be given to (i) the percentages proposed for the base fee and the award fee pool and (ii) the award fee periods.

Discussion: During a Senior Acquisition Executive (SAE) level Acquisition Strategy Panel (ASP) meeting on the Airborne Laser program, the program office indicated that the proposed award fee structure included a 2% base fee and a 10% award fee pool. The Air Force SAE, who chaired the meeting, stated she could support an award fee pool of no more than 12% with no base fee. The SAE wanted to introduce into programs an incentive fee based on an average unit cost that contractors earn when they sign up to a learning curve associated with that average unit cost.. $\text{base fee} + \text{award fee} = \text{unit price curve incentive fee}$. In addition, the proposed fee determination periods, annual, were too long; six month periods were preferred. The Defense Contract Management Command (DCMC) panel representative volunteered the services of DCMC to help the System Program Office (SPO) with award fee administration. As a result, the program office is developing a coordinated award fee plan which includes DCMC as an active participant.

Recommendation: Convey to buying activities/SPOs early on the contributions DCMC can make in such areas as award fee administration and offer our services. DCMC'S expertise can be invaluable in assisting responsible officials to structure contracts that incentivize contractors to maximize their performance and facilitate efficient contract management throughout the acquisition process.